

California Board of Accountancy

President's Message



Wendy S. Perez, CPA
President

*I*t has been a very busy summer and early fall at the California Board of Accountancy. While candidates prepare to take the last paper-and-pencil exam in November, many changes are underway toward commencing the first computer-based CPA Examination. This is a huge transition, and some licensees who remember the examination they took *en masse* with hundreds of other candidates may have a difficult time envisioning sitting in a computer cubicle taking the exam all on their own. In April 2004, the four-part exam will be available to take by individual part, four times a year, instead of just in May and November. For those of you interested, an update of the progress toward the new exam format is provided in this issue.

What else has the Board been doing? In July, members spent a good part of a day engaged in strategic planning. It's been six years since members participated in a full-scale planning session, and we believed it was time to completely revamp our plan in light of the numerous changes that

have taken place or are in the process of being implemented. Once the goals and objectives are finalized and adopted, the Board's Strategic Plan will be posted on our Web site. This plan is our blueprint for the future, and it is structured around the Board's highest priority of consumer protection.

We also have been extremely busy preparing three reports to meet this year's Sunset Review requirements, as mandated by AB 270 and SB 133, Statutes of 2002. The Legislature requires the Board to report on:

- The Enforcement Program and the problems involved in regulating large accounting firms.
- The Licensing Program and the implementation of the new licensing requirements.
- Whether there is a need to implement a mandatory peer review program in California because of recent changes in federal laws, professional standards, and state statutes and regulations.

Writing the reports has been a comprehensive effort on the part of the staff as well as the Board members. We submitted the documents to the Department of Consumer Affairs as well as the Joint Legislative Sunset Review Committee in September, and we await any recommendations that may be forthcoming as a result of our submissions. In the meantime, the required sunset review reports are posted on our Web site.

(Please see President's Message, continued on page 2)

Spokane

Mission Statement

The mission of the California Board of Accountancy is to protect the public welfare by ensuring that only qualified persons are licensed and that appropriate standards of competency and practice are established and enforced.

Vision Statement

It is the vision of the California Board of Accountancy to become the premier regulatory agency that operates with maximum efficiency, fosters continuous quality improvement, and provides exemplary consumer protection while recognizing the changing consumer demographics and nature of services provided by licensed professionals.

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President's Message (continued from page 1)

Finally, I am pleased to tell you that on July 29, 2003, I had the honor to represent the CBA in Washington DC at the Public Company Accounting Oversight Board's Roundtable on Reporting on Internal Control. Under Section 404(b) of the Act, the PCAOB is obligated to issue or adopt the related attestation standards for auditors. To assist in the consideration or formation of a new standard, the PCAOB chose to host the roundtable discussion.

While the CBA was the only state accountancy regulatory board to be invited, other participants included the Securities & Exchange Commission, the Federal Reserve Board, the Big Four accounting firms, mid-size firms, the National Association of State Boards of Accountancy, large financial institutions, several corporations from a variety of industries, including two technology companies from the Silicon Valley, several investor groups, and other related private and public concerns.

This Board has taken a leadership position not only in California but also at the federal and national levels. It has committed to work effectively with both the PCAOB as well as other standard-setting entities, including the American Institute of Certified Public Accountants and the General Accounting Office. As a major component of its strategic direction, the Board seeks to liaison with the PCAOB to form an effective working relationship, establish communication links, and develop processes for the quick flow of information between the two agencies. A closer association with the PCAOB will result not only in a stronger Enforcement Program to enhance protection of the consumer, but it will also help assure that California is recognized as a valued contributor toward the regulation of the profession.

As always, we will strive to keep you well informed of all of our initiatives and progress toward effective regulation of the profession. Please check our Web site regularly for important up-to-date information.

Wendy S. Perez

Wendy S. Perez
President

Issues of Interest

to the Consumer and the Practitioner

News to You

Thomas Iino Appointed to the CBA

Governor Davis has appointed Thomas Iino as a member of the CBA. Mr. Iino, of Pacific Palisades, has been an accountant with Southern California Deloitte & Touche LLP since 1983 and is partner-in-charge of the International Practice and the Japanese Practice. He is a member of the California Society of Certified Public Accountants. Mr. Iino was a member of the CBA from 1980 to 1984, and he served as president from 1983 to 1984. He is a member of the Board of Governors for the Japanese National Museum, the Little Tokyo Service Center, and the Board of Trustees for the UCLA Foundation.

Mr. Iino is a former president of NASBA, and in 2000 he received the Distinguished Service Award from NASBA. In 1995 he received the Distinguished Service Award from CalCPA. Mr. Iino earned a bachelor of science degree in accounting from the University of California, Los Angeles.

Cost Recovery

The Board has decided to pursue legislation to permit cost recovery for all violations of the Accountancy Act. Currently, cost recovery only is permitted when the licensee is found guilty of specified violations of the Accountancy Act.

Cost recovery allows monetary support for enforcement activities to come from dollars recovered from those who have broken the law rather than solely from the fees of licensees who practice in compliance with statutes.

The Board's proposal, as adopted at its meeting of July 25, 2003, would make its cost recovery law consistent with the law currently in place for most other boards within the Department of Consumer Affairs.

It is anticipated that this proposed law change will be introduced as legislation in 2004.

U.S. General Accounting Office Study

The California Board of Accountancy is participating in a US General Accounting Office study of mandatory audit firm rotation. The GAO, commonly called the investigative arm of Congress or the congressional watchdog, is independent and nonpartisan. This Board was one of just three state regulatory boards invited to participate in the study which is mandated by the Sarbanes-Oxley Act of 2002.

In addition to providing written information, Board President Wendy S. Perez and Committee on Professional Conduct Chair Ronald Blanc participated on August 14, 2003, in a conference call to communicate the Board's views to the GAO. It is anticipated that the study will be completed and a report issued by November 2003.

Comments on Peer Review Program Changes

The Board has submitted comments to the American Institute of Certified Public Accountants on an exposure draft related to *Proposed Revisions to the Standards for Performing and Reporting on Peer Reviews*. This exposure draft proposed extensive revisions to the AICPA's Peer Review Program.

The Board encouraged the AICPA to develop the peer review program into an effective practice-monitoring tool. It also urged the AICPA to embrace the concept of total transparency and to take all appropriate steps to make public peer review reports, letters of comment, response letters, and information on follow-up actions.

Board Committees

The Board is seeking applicants for the Administrative Committee and the Qualifications Committee.

Please see page 11 of this publication for more information on the application process and the necessary qualifications.

Staffing Constraints = New Wait Times

When you telephone the Board's Renewal, Licensing, or Exam units, don't be surprised to reach a recording that says, "Please leave a message and staff will return your call within five business days."

Due to the state budget crisis, and a hiring freeze imposed upon all state offices, this Board finds itself in the unprecedented situation of not being able to deliver the outstanding customer service which has been its hallmark.

Right now, while the Board is experiencing a significant increase in licensing applications, staff shortages and hiring constraints mean the CBA no longer has resources available to respond immediately to telephone and e-mail requests for information. In addition, staff can no longer provide telephone or e-mail status checks on pending exam or license applications. As well, e-mail requests for general information posted on the Board's Web site will be directed to www.dca.ca.gov/cba.

Staff shortages do not mean that work has stopped on behalf of consumers, licensees, and exam and licensure candidates. By necessity, services will continue to be delivered, but at a much less responsive rate. While this is not the desire of the CBA, this is the current reality, and it may continue for some years to come.

Please use the Web site as much as possible to obtain the information you need. For instance, exam applicants for the November 2003 Uniform CPA Examination may check the status of their applications online at www.dca.ca.gov/cba by clicking on the Table of Contents and going to

"Online Application/Status Lookup." Admittance material for the November 2003 CPA Exam will be mailed to exam applicants by the end of October 2003.

For licensees renewing as "Active," renewal processing may take six to eight weeks before the pocket identification card is issued. To continue with practice rights after the license expiration date, licensees must mail the renewal form and fee with the completed continuing education reporting form postmarked by the license expiration date.

Licensees may check the status of their renewal application on License Lookup on the Board's Web site. Once the renewal fee is cashiered, License Lookup will reflect the status as "Renewal in Process" until processing is completed.

Please note that renewals mailed directly to the Board, instead of the Department of Consumer Affairs, take significantly longer to process and cannot be updated on the Web License Lookup until all processing is completed.

The Board deeply regrets any inconvenience that the reduction in direct service has caused. While it has made every effort to streamline its processes, there is a point at which fewer staff resources simply mean that it takes longer to process documents and answer inquiries. The CBA has reached that point.

Historically, staff have taken pride in delivering superior service, but it must now be realized that California's governmental fiscal environment means that staffing constraints and consequent waiting times will ensue and likely worsen. In the meantime, your patience and cooperation are sincerely appreciated. ♦



What's New at www.dca.ca.gov/cba?

A FAQ Button on Every Page!

We have expanded the Frequently Asked Questions (FAQs) area on the Board's Web site to address many of the areas of inquiries we receive on a continuing basis. The information is presented in an easy-to-read format, and FAQs can be quickly accessed by clicking on the "FAQs" button on the left-hand navigation bar on each of our Web pages. We will continue to add new FAQs and categories as we identify areas of interest. In addition, each *Update* publication features new FAQs, and these will be added to the Web site after each issue is published.

The Board's Web site now includes FAQs in the following categories:

Consumers

- Public Information

- Comments/Complaints

Enforcement

- Complaints

- Citations/Disciplinary Actions

- Tax Preparation

Exam

- Computer-Based Test

- Miscellaneous

Initial Licensing

- New Licensee

- Public Information

Partnerships & Corporations (Firms)

- DBA

- Fictitious Name

- Name Style

- Renewals

Renewals

- CE - Audit & Accounting (A&A)

- CE Requirements

- Inactive and Active Status

- PC&E

- Public Information

- Renewal Process

- Report Quality Monitoring Program

Since adding the FAQs pages in May 2003, as of September 1, 2003, we have received over 20,000 hits to these pages.

We value your comments and suggestions. Please address your feedback to Ms. Holly Hansen, our Web Page Master, at pagemaster@cba.ca.gov by using the email on your computer, or by clicking on this e-mail address on the bottom of any page of our Web site. ♦

Overview of New Regulations

The Board, at its meetings of March 22 and May 16, 2003, approved significant regulation changes including regulations related to computer-based testing, reform legislation, and continuing education. These regulations are awaiting final approval by the Department of Consumer Affairs and the Office of Administrative Law.

Computer-based Testing.

The changes related to computer-based testing (Sections 6.1, 7, 7.1, 7.2, 8, 8.1, 8.2, 70, and 71) provide for a transition plan from paper and pencil-based testing, credit status and exam passage standards, fees to be paid to the Board, and procedures for obtaining an authorization to test and a notice to schedule. Please refer to the Board's Web site at www.dca.ca.gov/cba for the text of these regulations. Also see the article on page 8 for more information on computer-based testing.

The regulations on client notification, response to Board inquiry, commissions, self-reporting, and audit documentation (Sections 51.1, 56.4, 59, 60, 61, 68.2, 68.3, 68.4, and 68.5) implement reform legislation enacted in 2002. Before adopting these regulations, the Board considered a large number of comments and recommendations from the legislature, consumer advocates, representatives of the profession and other interested parties. The Board made several modifications to the proposed regulations that were published in *Update*, issue number 53. The full text of these regulations as adopted by the Board is provided on page 16 as well as being available on the Web site.

Client Notification.

Section 51.1 on client notification is a new regulation intended to provide guidance to firms with nonlicensee owners regarding how to inform clients of the actual or potential involvement of nonlicensee owners in the services provided.

Response to Board Inquiry.

Section 52, on response to Board inquiry, has been updated to provide for subpoenas which can now be issued directly by the Board. With these changes, Section 52.1, on failure to appear, is no longer necessary and has been repealed.

Section 56.4 relates to commissions. Reform legislation revised the Board's statute on commissions to prohibit licensees from providing services for a commission to the officers and directors of attest clients except when the client is a non-profit corporation or a small business meeting specified criteria. The criteria are spelled out in a regulation adopted by the Department of Corporations. New Section 56.4 places those criteria in the Board's Regulations for clarity and for easy reference by licensees.

Self-Reporting.

New Section 59 provides guidance to licensees regarding the self-reporting of restatements and indicates that only restatements resulting from the correction of an error in a previously issued financial statement must be reported to the Board. Section 59 addresses the reporting of restatements for businesses, government agencies, and charitable organizations. This section clarifies that restatements issued for businesses must be reported when the business is a publicly traded company that is required to file a tax return with the California Franchise Tax Board.

Section 60 focuses on the self-reporting of notifications related to investigations by federal regulators including investigations by the Securities and Exchange Commission (SEC), requests for Wells Submissions from the SEC, and investigations by the Public Company Accounting Oversight Board. Section 61 focuses on the self-reporting of civil actions such as settlements, arbitration awards, and judgments. Each of these sections includes a confidentiality provision indicating that the information reported to the Board will be made public only in a very limited set of circumstances.

Audit Documentation.

The Board also adopted new regulations related to audit documentation – Section 68.2 on the identification of audit documentation, Section 68.3 on the retention period for audit documentation, Section 68.4 on changes in audit documentation, and Section 68.5 on audit documentation retention and destruction policies. For consistency with the SEC requirement, Section 68.3 includes a provision indicating documentation should be retained whether or not it supports the auditor's final conclusions. Section 68.4 provides for a 60-day grace period after the audit report is issued to give auditors time to document work previously performed and to

(Please see Overview of New Regulations,
continued on page 7)

assemble audit documentation. Section 68.5 specifies the components of a documentation/retention/destruction policy and allows the procedure for document destruction to be self-executing once the retention period has expired.

Continuing Education.

In addition to adopting regulations related to computer-based testing and reform legislation, the Board also adopted revised regulations related to continuing education (Sections 88 and 88.2). The revisions add a definition of “formal program of learning” to Section 88 and clarify that self-study modules for national examinations that contribute to a licensee’s professional competence qualify as continuing education.

The revisions to Section 88.2 establish new requirements for self-study courses completed on or

after January 1, 2004. These revisions make the Board’s continuing education requirements consistent with the Statement on Standards for Continuing Education issued by the American Institute of Certified Public Accountants and the National Association of State Boards of Accountancy. Please see the text of these regulations starting on page 16 of this issue of *Update* for more information including information on the new self-study requirements.

It is anticipated that these regulations will receive final approval from the Office of Administrative Law in the fall, and the final approval date will be posted on the Board’s Web site at www.dca.ca.gov/cba. ♦

Meeting your PC&E Course Requirement

Since January 1, 1998, Professional Conduct and Ethics (PC&E) continuing education has been required every six years for all active license renewals. This eight-hour course provides information on the provisions of the current Accountancy Act, the Board of Accountancy regulations, and other rules of professional conduct.

The PC&E requirement is being phased in over a six-year period. According to the timetable, one-third of the licensee population will meet the requirement in a specified two-year period, based on the last two digits of their CPA/PA license number.

- Practitioners whose license number ends in the “01-33” range should have completed the initial PC&E course by their license renewal date in 1998 or 1999, as applicable.

- Those whose license number ends in the “34-66” range should have met the PC&E requirement by their license renewal date in 2000 or 2001, as applicable.
- Licensees whose license number ends in the “67-00” range must meet the PC&E requirement by their license renewal date in 2003.

Please remember that only Board-approved courses satisfy the requirement.

A current list of Board-approved courses is available on the Board’s Web site at www.dca.ca.gov/cba. ♦

What's the Latest on the Computer-Based Uniform CPA Exam?

The time is rapidly approaching for the initiation of the computer-based examination, as the last paper-and-pencil exam will be administered in November 2003. This transition has occasioned many telephone and e-mail inquiries to the Board. In an effort to help clarify some of these issues, here are some of the Frequently Asked Questions (FAQs) and answers:

Q: How often will the computer-based Uniform CPA Exam be given?

A: The computer-based Uniform CPA Exam will be available beginning in April 2004. The exam will be offered up to six days a week, during two months out of every three-month period throughout the year. Each three-month period is called a testing window. A testing window is a period during which the computer-based CPA Exam will be available. There are four testing windows in a calendar year. During each testing window, the computer-based CPA Exam will be available for approximately 60 days.

Q: Where can I get more information regarding the computer-based Uniform CPA Exam?

A: As the implementation date for the computer-based Uniform CPA Exam nears, the latest details will be posted to the Board's Web site. Candidates also may wish to visit the American Institute of Certified Public Accountants (AICPA) at www.cpa-exam.org/global/latestnews.html and the National Association of State Boards of Accountancy (NASBA) Web sites at www.nasba.org for information related to the computer-based Uniform CPA Exam.

Q: How much will the computer-based Uniform CPA Exam cost?

A: Proposed fees to be paid to the California Board of Accountancy, for the computer-based Uniform CPA Exam are as follows:

Fees to be paid to the California Board of Accountancy.

Initial Application/Qualification Fee	\$100
(To be paid by an applicant who is qualifying to sit for the CPA Exam as a California candidate for the first time.)	
Reapplication fee	\$50
(To be paid by an applicant who was previously qualified to sit for the CPA Exam as a California candidate.)	

Fees to be paid to NASBA.

Auditing and Attestation	\$134.50
Financial Accounting and Reporting	\$126.00
Regulation	\$109.00
Business Environment and Concepts	<u>\$100.50</u>
Total fees paid to NASBA for all four sections	\$470.00

Q: What are the final filing dates for the computer-based Uniform CPA Exam going to be?

A: Application final filing dates will be eliminated, allowing qualified candidates who have met all of the educational requirements to apply at any time.

(Please see Computer-Based Uniform CPA Exam, continued on page 9)

Q: Can I take the computer-based Uniform CPA Exam online?

A: No. The exam will be administered at Prometric Testing Centers. Visit the Board's Web site at www.dca.ca.gov/cba for a listing of Prometric Testing Centers within California.

Q: How many parts are there in the computer-based Uniform CPA Exam, and how do the new parts correspond to the paper-and-pencil Uniform CPA Exam parts?

A: The computer-based Uniform CPA Exam will be comprised of four sections. Any credit earned in the paper-and-pencil Uniform CPA Exam will transfer to the computer-based Uniform CPA Exam corresponding sections as follows:

Paper-and-Pencil Uniform CPA Exam.

Auditing (4.5 Hours)
 Financial Accounting & Reporting (4.5 Hours)
 Accounting & Reporting (3.5 Hours)
 Business Law & Professional Responsibilities
 (3 Hours)

Computer-Based Uniform CPA Exam.

Auditing & Attestation (4.5 Hours)
 Financial Accounting & Reporting (4 Hours)
 Regulation (3 Hours)
 Business Environment & Concepts (2.5 Hours)

Please check the Board's Web site for more information as it becomes available. ♦

Contributors to this Edition of *Update*

Melissa Arredondo
 Patti Franz
 Mary Gale
 Aronna Granick
 Holly Hansen
 Dottie Hays
 Stephanie Hoffman
 Rose Lim
 Sara Narvaez-Smith
 Theresa Siepert
 Doug Reid, CPA
 Michele Santaga

Supervising Experience and Signing Forms E and G

The Board receives many questions about who can sign a Form E (Attest Experience) or a Form G (General Experience). If you've been asked by your employee to complete one of these forms, you must determine not only if you are authorized but also if you are even obligated to complete one. The following information will help you make that determination.

Section 69 of the California Board of Accountancy Regulations requires the supervisor, upon request of the applicant, to complete and submit a Form E or Form G documenting the applicant's attest or general experience, respectively. All experience must be obtained and performed, as provided in the California Accountancy Act, under the supervision of an individual with a valid license to practice public accounting.

Further, new language adopted by the Board at its July 25, 2003 meeting will, if approved by the Department of Consumer Affairs and the Office of Administrative Law, clarify who may sign the Form E or Form G. The new language would require the supervisor to directly oversee and inspect the applicant's performance of services provided, including personal, ongoing communication between the supervisor and the applicant. A licensee who provides public accounting services to the applicant's non-public accounting supervisor may not supervise the applicant's experience. To sign a Form E, the supervisor must have already satisfied the attest experience requirement and obtained authorization to sign reports on attest engagements.

Regarding Form E, the Board relies heavily on the supervisor's opinion that the specific attest experience the applicant has received represents satisfactory knowledge of current practice standards and pronouncements. The experience considered appropriate is that which enables the applicant to demonstrate an understanding of the requirements of planning and conducting an audit with minimum supervision which results in an opinion on full disclosure financial statements and an affirmatively completed Form E. When an applicant has more than one employer, the Board will take into consideration all Forms E, whether affirmatively completed in either individual or composite form, in making its decision for licensure.

There are circumstances under which the Board's Qualifications Committee may wish to audit a Form E, as provided by Section 69:

- The period of experience appears to be unduly short.
- The Form E is signed by a relative.
- The Board reasonably believes that the information on the Form E may be false or incorrect.
- A licensee fails or refuses to complete and submit a Form E, or comply with a request for explanation of the Form E or inspection of documentation.
- Any unreasonable act or failure to act which jeopardizes an applicant's chances for obtaining a certificate.
- The firm is on a Section 69 Reappearance Status.

Once a file has been selected for a Section 69 review, the applicant and the supervisor will be notified of the deferral of the application and be requested to appear before the Qualifications Committee with working papers and reports to support the submitted Form E.

If you are a partner, shareholder, or sole proprietor of a public accounting firm — or the owner of a private business — and have supervised the applicant, only your signature is required on the Forms E or G. If you do not hold one of these titles, a second signature by a partner, shareholder, or the sole proprietor of the public accounting firm — or an individual with a higher level of responsibility in the private business or government agency — is required.

Many employers find it helpful to both retain a copy of the Form E or Form G and give a copy to the applicant. It's also in the applicant's best interest to have a Form E or Form G completed and submitted to the Board when he or she either leaves your employment or simply feels that the experience requirements have been met. Remember, the applicant does not have to pass the Uniform CPA Exam prior to submitting a Form E or Form G.

If a firm is dissolving, it is recommended either a Form E or Form G be completed and submitted to the Board at that time. Otherwise, applicants may find it difficult to document experience, if the firm no longer exists and its records are no longer available.

The Board retains all Forms E and G until the applicant submits an application for licensure. ❖

Quality...Commitment...Results

Appointment Opportunities to Board Committees Deadline to Apply – October 31, 2003

The Board is actively recruiting licensees with diversified backgrounds who have the technical skills, the interest, and the commitment to serve on either the Administrative Committee or Qualifications Committee for the year 2004. Being a committee member is an opportunity to actively participate in the regulation of the accountancy profession and to become an integral part of an organization charged with providing consumer protection amidst changing consumer demographics and the evolving nature of the profession. Your service benefits both the consumer and the profession.

Committee appointments are for a term of two years; appointed individuals may serve a maximum of four terms. Committee members receive a *per diem* of one hundred dollars for each day spent in the discharge of official duties and are reimbursed under state policies for travel and other expenses incurred in the performance of committee duties.

All applicants requesting appointment to a Board advisory committee must be actively licensed to practice public accounting for a minimum of two years prior to the appointment and, if appointed, maintain an active license status during tenure on the committee. There must also be no pending enforcement actions against the licensee. Candidates will also be reviewed for any results of Report Quality Monitoring Committee, Sections 69 and 89.1 work paper, and continuing education reviews.

Each committee's activities and required time commitments vary and are as follows:

ADMINISTRATIVE COMMITTEE

The Administrative Committee assists the Board in an advisory capacity with its enforcement activities by receiving and investigating complaints against licensees. The committee monitors enforcement investigations, conducts investigative hearings, and may recommend a course of action upon the conclusion of investigations. The committee also considers, formulates and proposes policies and procedures related to the Board's Enforcement Program. This committee is limited by statute to a membership of 13 licensees. It meets four to five times a year, generally for one day, alternating between a northern and southern California city.

Members are chosen from all sizes of firms. The following characteristics are sought in members of the Administrative Committee:

- Knowledge of SSARS through experience in performing compilation and review services.
- Current knowledge of accounting and auditing pronouncements through experience in accounting or attest services.
- Knowledge of income and estate tax laws and procedures through experience in tax preparation services.

QUALIFICATIONS COMMITTEE

The 14-member Qualifications Committee acts as an advisory committee and assists the Board in its licensure activities by reviewing the accounting and attest experience of applicants for licensure and making recommendations to the Board. This responsibility includes conducting work paper reviews, with the applicant or employer present to respond to inquiries. These procedures are designed to verify that the responses provided on the Board's Form E concerning the applicant's attest experience are appropriate and that the requirements for licensure have been met.

(Please see *Appointment Opportunities*, continued on page 12)

Members are chosen from all sizes of firms and represent a balance from both the northern and the southern part of the state. The following characteristics are sought in members of the Qualifications Committee:

- Regularly sign attest reports and have extensive experience in performing audits and reviews in a variety of industries.
- Typically have a minimum of ten years' experience, are a partner or equivalent, and have strong familiarity with accounting and auditing pronouncements.
- Completion of the 24-hour Accounting & Auditing continuing education requirement for each license renewal cycle.

The committee meets four times a year, generally for one day, for a total commitment of approximately four to six days annually.

If membership in either committee interests you, submit a letter of intent with a *résumé* or *curriculum vitae*, including your CPA license number and the name of the committee in which you are interested.

Please mail your letter of intent and *résumé* to:

Carol Sigmann, Executive Officer
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, California 95815-3832

As an alternative, you may submit your letter of intent and *résumé* as attachments via e-mail directly to tsiepert@cba.ca.gov. Please do not submit any documents with macros.

Letters of intent with *résumés* are requested no later than October 31, 2003.

Each committee chair will interview qualified applicants and make recommendations to the Vice President of the Board. If an applicant is recommended for appointment, that name will be placed on the agenda for adoption by the Board at its November meeting.

If you have additional questions about committee responsibilities, committee member qualifications, or the appointment process, please telephone Ms. Theresa Siepert of the Board's staff at (916) 263-3979 or e-mail her at tsiepert@cba.ca.gov. ♦

Policy of Nondiscrimination on the Basis of Disability and Equal Employment Opportunity

The California Board of Accountancy does not discriminate on the basis of disability in employment or in the admission and access to its programs and activities.

An Americans with Disabilities Act (ADA) coordinator has been designated to coordinate and carry out this agency's compliance with the nondiscrimination requirements of Title II of the ADA. Information concerning the provisions of the ADA, and the rights provided thereunder, is available from:

ADA Coordinator
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, California 95815-3832

Enforcement FAQ Expired Licenses

Q: Will I be in violation of any of the accountancy statutes or regulations if I allow my CPA license to expire, and I continue to practice public accounting as a CPA?

A: Yes.

Business and Professions Code Section 5050 requires that certified public accountants and public accountants who have been licensed by the California Board of Accountancy must at all times maintain a current, active license to practice public accountancy, as defined under Section 5051, while engaged in practice.

Under current law, an individual's CPA or PA license is subject to renewal every two years, on the last day of the licensee's birth month. In addition, an expired license may be renewed at any time within five years after expiration. However, if the license is not renewed, it will be canceled by the Board on the next day following the end of the five-year period.

When a license expires, practice rights end. No certified public accountant or public accountant with an expired license can engage in the practice of public accountancy in California.

If a licensee continues to practice with an expired license, and the matter comes to the attention of the Board, the licensee will be subject to an enforcement action by the Board.

Information

Each issue of *Update* contains important information about the public accounting profession, including notices of proposed hearings on regulation changes, Board and committee meetings, proposed new regulatory language, and topical information about enforcement, examination, licensure, and continuing education issues. For ease of reference, we suggest that after you receive and read *Update*, you place these issues in your professional library. For your convenience, all issues of *Update* since 1998 also are posted on our Web site at www.dca.ca.gov/cba.

It's All in the Numbers

A Statistical Review of Enforcement Division Activities

The CBA regulates not only individuals – but also firms. While this Board licenses and regulates more than 63,000 individual certified public accountants and public accountants, it also licenses and regulates approximately 4,500 accountancy firms (partnerships and corporations). The Board's enabling Accountancy Act is found at Section 5000 *et seq.* of the Business and Professions Code. Its regulations appear in Title 16, Division 1 of the California Code of Regulations (Accountancy Regulations).

The California Board of Accountancy's Enforcement Division is staffed with professional Investigative CPAs who are the "backbone" of the investigative process. A unique classification, the investigators are highly skilled and extensively trained in accounting principles and professional standards. Their activities include investigating complaints, providing expert witness testimony at administrative hearings, and monitoring probationers for compliance to the terms of their disciplinary orders.

The Enforcement Division processes all complaints received and has developed a standard complaint form to assist complainants in providing the minimum information required before the investigative process can begin. The complaint form is available on the CBA's Web site via an interactive version, a fill out and print version, or a PDF version.

The most frequent types of complaints against licensees involve alleged gross negligence, unprofessional conduct, and practice without a valid license. Competence and conduct issues are referred for formal investigation to investigative CPA staff or to the Department's Division of Investigation (DOI). Confirmed violations may result in citations with fines, mandated continuing professional education or, in the instance of more substantive violations, formal accusation.

The information on the opposite page is a statistical overview of the Enforcement Division's activity for fiscal years 1999-00, 2000-01 and 2001-02.

(Please see *It's All in the Numbers*, continued on page 15)

It's All in the Numbers (continued from page 14)

	FY 1999/2000	FY 2000/2001	FY 2001/2002
Complaints Received			
Licensed	291	236	277
Unlicensed/Unregistered/Delinquent	219	173	215
Total	510	409	492
Complaints Referred to Investigators for Formal Investigation			
<i>Licensed Investigations Opened</i>			
Contractual	0	0	0
Fraud	12	4	5
Competence/Negligence	32	18	21
Other	17	11	22
Personal Conduct	2	2	0
Product Quality	5	1	0
Unprofessional Conduct	44	44	32
Unlicensed/Unregistered	32	12	2
Unlicensed Investigations Opened	14	12	87
Total	158	104	169
Complaints Closed Without Going to Formal Investigation			
Licensed	214	167	170
Unlicensed	146	138	125
Total	360	305	295
Formal Investigations Closed			
<i>Licensed Investigations Closed</i>			
Fraud	11	3	2
Nonjurisdictional	0	0	0
Competence/Negligence	28	23	22
Other	9	11	11
Personal Conduct	2	4	0
Product Quality	4	1	1
Unprofessional Conduct	48	53	24
Unlicensed/Unregistered/Delinquent	25	21	20
Total	127	116	80
Unlicensed Investigations Closed	23	8	8
Grand Total	150	124	88
Formal Investigations Pending as of June 30, 2000, June 30, 2001, and June 30, 2002			
Licensed	85	44	65
Unlicensed	5	9	4
Total	90	53	69
Actions Filed			
Accusations/Petitions to Revoke Probation	28	19	19
Statements of Issue	0	1	2
Citations	70	38	38
Criminal Actions	3	2	0
Civil Actions	0	0	1
Total	101	60	60

New Regulations Adopted by the Board

Below are regulations adopted by the Board at its meetings of March 22, and May 16, 2003. These regulations are shown with new language underlined while the strike-out text is deleted language. These regulations are awaiting final approval by the Department of Consumer Affairs and the Office of Administrative Law.

Section 51.1. Notification of Non-licensee Ownership.

(a) Any firm with a nonlicensee owner or owners that has one or more offices located in California shall notify each client served by an office located in California of the actual or potential involvement of a nonlicensee owner or owners in any service to be provided to the client by the firm. Notice shall be provided by any of the following methods:

(1) Providing a statement to each client served by a California office to be signed and dated by the client and retained in the firm's records that states that the client understands that services will or may be provided by a nonlicensee owner of the firm.

(2) Including a statement that the firm has a nonlicensee owner or owners who may provide client services in any contract for services, proposal letter, or engagement letter with the client served by a California office.

(b) A copy of the statement, contract, engagement letter, or proposal letter containing this notice shall be maintained by the public accounting firm in the client's files for a minimum of five years from the date of the notice.

Note: Authority cited: Section 5010, 5018, and 5079, Business and Professions Code. Reference: Section 5079, Business and Professions Code.

52. Response to Board Inquiry.

A licensee shall respond to any inquiry by the Board or its appointed representatives. The response shall include making available all files, working papers and other documents requested. Failure to respond to the inquiry within 30 days constitutes a violation of Section 5100(f) of the Accountancy Act. Any inquiry by the Board requiring a response pursuant to this section shall be in writing. The 30-day response period begins when the inquiry is mailed to the licensee, or if not mailed, when personally delivered.

(a) A licensee shall respond to any inquiry by the Board or its appointed representatives in a timely manner. The response shall include making available all files, working papers and other documents requested.

(b) A licensee shall respond to any subpoena issued by the Board or its appointed representatives in a timely manner and in accordance with the provisions of the Accountancy Act and other applicable laws or regulations.

(c) A licensee shall appear in person upon written notice or subpoena issued by the Board or its appointed representatives.

(d) A licensee shall provide true and accurate information and responses to questions, subpoenas, interrogatories or other requests for information or documents and not take any action to obstruct any Board inquiry, investigation, hearing or proceeding.

NOTE: Authority cited: Sections 5010 and 5018, Business and Professions Code. Reference: Section Sections 5018, 5100, 5103, 5108, Business and Professions Code.

52.1. Failure to Appear.

Willful failure or refusal by a licensee to comply with a written notice of the Board, the Administrative Committee, or any other designated committee to appear in person constitutes a violation of Section 5100(f) of the Accountancy Act. The written notice shall be delivered not less than 10 working days in advance of the appearance. No licensee shall be required to travel further than the distance to the closest Board or Committee meeting scheduled within 4 months of the date of the notice. Licensees who fail to appear will be required to appear at the next regularly scheduled meeting of the Board or Committee. The written notice shall specify the place of such appearance.

NOTE: Authority cited: Sections 5010 and 5018, Business and Professions Code. Reference: Sections 5018 and 5020, Business and Professions Code.

(Please see New Regulations, continued on page 17)

Section 56.4. "Officer" and "Director."

The terms "director" and "officer" as defined under Section 5061 (c) does not include a director or officer of a nonprofit corporation, or a corporation that together with any affiliates, has 100 or less employees or average annual gross receipts of ten million dollars (\$10,000,000) or less over the previous three tax years. The term "average annual gross receipts" means all pecuniary gross receipts (less returns, allowances and interaffiliate transactions), the assignment of such receipts notwithstanding, of a business concern from whatever source derived, as entered or to have been entered on its regular books of account for its most recently completed fiscal year (whether on a cash, accrual, completed contracts, percentage of completion or other commonly recognized and accepted accounting method).

NOTE: Authority cited: Sections 5010, 5018, and 5061, Business and Professions Code. Reference: Section 5061, Business and Professions Code.

Section 59. Reporting of Restatements.

(a) To comply with the requirements of paragraph (1) of subdivision (b) of Business and Professions Code Section 5063, a licensee who issues a report on a client's restated financial statement shall report to the Board:

(1) Any restatement of a financial statement reporting the correction of any error in a previously issued financial statement of a client that is:

(A) a publicly traded company that is required to file a tax return with the California Franchise Tax Board; or

(B) a government agency located in California, when the financial restatement(s) exceeds the planning materiality used by the licensee in conjunction with the current year audit. For purposes of this paragraph, planning materiality means the planned level of misstatements, individually or in aggregate, that would cause the financial statements to not be presented fairly, in all material respects, in conformity with generally accepted accounting principles.

(2) Any restatement of a financial statement of a charitable organization registered by the Office of the Attorney General's Registry of Charitable Trusts which is issued for purposes of correcting any error in a previously issued financial statement and which has resulted in the filing of an amended or superseding Internal Revenue Service Form 990 or 990PF.

(b) The report required by subsection (a) shall be made by the licensee issuing the report on the restatement even if the licensee did not perform the original audit. The report required by subsection (a) shall be provided to the Board within 30 days of issuance of the restatement, shall be signed by the licensee, and shall set forth the facts which constitute the reportable event including an explanation of the reason for the restatement. The report made under paragraph (a)(1) of this section shall include copies of the original and the restated financial statements. The report made under paragraph (a)(2) of this section shall include only those portions of the original and the amended Forms 990 or 990PF related to the reissued financial statement.

Note: Authority Cited Sections 5010, 5018, and 5063, Business and Professions Code. Reference: Section 5063, Business and Professions Code.

Section 60. Reporting of Investigations by the Securities and Exchange Commission pursuant to Section 5063(b)(3); Reporting of Notices of Requests for Wells Submissions pursuant to Section 5063 (b)(4); and Reporting of Investigations by the Public Company Accounting Oversight Board pursuant to Section 5063(b)(5).

(a) For purposes of reporting pursuant to Section 5063 (b)(5), notice of the opening or initiation of an investigation by the Public Company Accounting Oversight Board shall include any notice by the Public Company Accounting Oversight Board that it is initiating an investigation of the licensee.

(b) Reports received by the Board pursuant to the requirements of subsection (a) of this section or of paragraphs (3), (4) or (5) of subdivision (b) of Business and Professions Code 5063 shall not be publicly disclosed other than (1) in the course of any disciplinary proceeding by the Board after the filing of a formal accusation; (2) in the course of any legal action to which the Board is a party; (3) in response to an official inquiry from a state or federal agency; (4) in response to a subpoena or summons enforceable by order of a court; or (5) when otherwise specifically required by law.

Note: Authority Cited Sections 5010, 5018, and 5063, Business and Professions Code. Reference: Section 5063, Business and Professions Code.

(Please see New Regulations continued on page 18)

Section 61. The Reporting of Settlements, Arbitration Awards, and Judgments.

(a) To meet the reporting requirements of paragraph (b)(2) of Section 5063, licensees shall report settlements and arbitration awards consistent with that provision that are the result of actions brought by persons located, residing, or doing business in California.

(b) Reports of judgments in civil actions alleging negligent conduct (but not dishonesty, fraud, or gross negligence) by a licensee pursuant to paragraph (c)(1) of Section 5063 shall be limited to those judgments in which a person located, residing in or doing business in California is a named party to the action or where the alleged conduct relates to the practice of public accountancy in California. Nothing in this subsection limits a licensee's responsibility to report under any other paragraph of subdivision (c) of Section 5063.

(c) Reports received by the Board pursuant to the requirements of subsection (a) of this section shall not be publicly disclosed other than (1) in the course of any disciplinary proceeding by the Board after the filing of a formal accusation; (2) in the course of any legal action to which the Board is a party; (3) in response to an official inquiry from a state or federal agency; (4) in response to a subpoena or summons enforceable by order of a court; or (5) when otherwise specifically required by law.

Note: Authority Cited Sections 5010, 5018, and 5063, Business and Professions Code. Reference: Section 5063, Business and Professions Code.

68.2. Identification of Audit Documentation.

(a) To provide for the identification of audit documentation, audit documentation shall include an index or guide to the audit documentation which identifies the components of the audit documentation.

(b) In addition to the requirements of Business and Professions Code Section 5097(b), audit documentation shall provide the date the document or working paper was completed by the preparer(s) and any reviewer(s), and shall include the identity of the preparer(s) and any reviewer(s).

(c) Audit documentation shall include both the report date and the date of issuance of the report.

Note: Authority cited: Section 5010, 5018, and 5098, Business and Professions Code. Reference: Sections 5097 and 5098, Business and Professions Code.

68.3. Retention Period for Audit Documentation.

(a) The retention period mandated by Business and Professions Code Section 5097 shall be measured from the report date.

(b) If audit documentation is required to be kept for longer than seven years because of a pending Board investigation or disciplinary action, audit documentation shall not be destroyed until the licensee has been notified in writing by the Board of the closure of a Board investigation or disciplinary proceeding.

(c) Any documents required to be maintained by Business and Professions Code Section 5097 or these regulations shall be maintained in accessible form.

(d) Audit documentation shall be retained whether or not the documentation supports the auditor's final conclusions. All audit documentation regarding any significant matter related to the audit shall be retained whether or not the documentation contains information or data inconsistent with the auditor's final conclusions. Significance of a matter shall be determined based on an objective analysis of the facts and circumstances. Audit documentation to be retained shall also include all documentation of consultations on, or resolutions of, any differences of opinion regarding the exercise of professional judgment.

Note: Authority cited: Section 5010, 5018, and 5098, Business and Professions Code. Reference: Sections 5097 and 5098, Business and Professions Code.

68.4. Changes in Audit Documentation After Issuance of the Report.

(a) Changes in audit documentation include any addition, removal, deletion, substitution, or editing of audit documentation, including, but not limited to, physical or electronic additions to any audit documentation file or preexisting audit documentation, occurring after the date of issuance of the audit report which is supported in whole or in part by the audit documentation.

(b) Except as provided in subsection (c), in addition to any other documentation required by professional standards, any changes in audit documentation shall provide the identity of the person(s) making the change, and identity of any person(s) approving the change, the date of the change, and the reason for the change if the reason is other than the assembling of pre-existing documents. The documentation which is changed shall contain sufficient detail to enable a reviewer with relevant knowledge and experience, having no previous connection with the audit engagement, to understand the nature, timing, reason for, and extent of the change.

(c) During a 60-day period after the date of issuance of the audit report, documents may be added to the file for the assemblage and documentation of work previously performed. Nothing in this subsection authorizes the deferral of audit procedures required to be performed prior to the date of issuance of the report.

Note: Authority cited: Section 5010, 5018, and 5098, Business and Professions Code. Reference: Sections 5097 and 5098, Business and Professions Code.

68.5. Audit Documentation Retention and Destruction Policy.

(a) Licensees shall maintain, and document compliance with, a written Audit Documentation Retention and Destruction Policy which provides for the preservation of audit documentation for the full time period required by Business and Professions Code Section 5097. The policy and documentation of compliance shall be available to the Board upon request.

(b) This policy shall provide for the authorized custody, security, access, retention, and destruction of the documentation. This policy shall, at a minimum, include the following:

- (1) procedures for the maintenance of back-up copies of electronic audit documentation at secure locations,
- (2) procedures for maintaining audit documentation,
- (3) procedures for approving any changes to audit documentation,
- (4) procedures for approving the destruction of documentation when no longer required to be maintained by Business and Professions Code Section 5097.

(c) The procedure required by subsection (b)(4) shall provide for identifying the persons, by name or position, authorized to approve the destruction of audit documentation. In the alternative, the procedure required by subsection (b)(4) may be self-executing once the retention period has expired.

Note: Authority cited: Section 5010, 5018, and 5098, Business and Professions Code. Reference: Sections 5097 and 5098, Business and Professions Code.

Section 88. Programs Which Qualify.

(a) The overriding consideration in determining whether a specific program qualifies as acceptable continuing education is that it be a formal program of learning which contributes directly to the professional competence of a licensee in public practice. It is the obligation of each licensee to select a course of study, consistent with the requirements of this section and Sections 88.1 and 88.2, which will contribute directly to his or her professional competence.

(1) Licensees who renew their licenses after July 1, 2001, shall complete a minimum of 50 percent of the required continuing education hours in the following subject areas: accounting, auditing, taxation, consulting, financial planning, professional conduct as defined in Section 87.7, computer and information technology (except for word processing), and specialized industry or government practices that focus primarily upon the maintenance and/or enhancement of the public accounting skills and knowledge needed to competently practice public accounting.

(2) Licensees who renew their licenses after July 1, 2001, may claim no more than 50 percent of the required number of continuing education hours in the following subject areas: communication skills, word processing, sales, marketing, motivational techniques, negotiation skills, office management, practice management, and personnel management.

(3) Programs in the following subject areas are not acceptable continuing education: personal growth, self-realization, spirituality, personal health and/or fitness, sports and recreation, foreign languages and cultures and other subjects which will not contribute directly to the professional competence of the licensee.

(Please see New Regulations, continued on page 20)

(4) A formal program of learning is an instructional activity that meets the requirements of Sections 88.1 and 88.2 or a course for which academic credit is granted by a university, college, or other institution of learning accredited by a regional or national accrediting agency.

(b) The following types of live presentation programs are deemed to qualify as acceptable continuing education provided the standards outlined in Section 88(a), Section 88.1, and Section 88.2 are maintained.

(1) Professional development programs of national and state accounting organizations.

(2) Technical session at meetings of national and state accounting organizations and their chapters which are designed as formal educational programs.

(3) University or college courses:

(i) Credit courses—each semester hour credit shall equal 15 hours toward the requirement. Each quarter hour credit shall equal 10 hours.

(ii) Non credit courses—each classroom hour will equal one qualifying hour.

(4) Other formal educational programs provided the program meets the required standards.

(c) Formal correspondence or other individual study programs are qualifying provided the program is based upon materials specifically developed for instructional use and meets the requirements of Section 88(a), Section 88.1, Section 88.2, and the licensee receives a passing score. Self-study modules for national examinations that contribute to the professional competency of a licensee in public practice, such as the Certified Financial Planner or Certified Management Accountant qualify as acceptable continuing education if the modules meet the above requirements.

(d) The credit as an instructor, discussion leader, or speaker will be allowed for any meeting or program provided that the session is one which would meet the continuing education requirements set forth in Section 88(a), Section 88.1, and Section 88.2. The credit allowed an instructor, discussion leader, or a speaker will be on the basis of actual presentation hours, plus up to two additional hours for actual preparation time for each hour taught. The maximum credit for such preparation and teaching will not exceed 50 percent of the renewal period requirement. For repeat presentations, an instructor shall receive no credit unless the instructor can demonstrate that the program content was substantially changed and that such change required significant additional study or research. Credit for licensees attending, not as instructors, discussion leader, or speakers, is limited to the actual meeting time.

(e) Credit may be allowed by the Board for the following activities:

(1) writing published articles and books provided the publisher is not under the control of the licensee.

(2) writing instructional materials for any continuing education program which meets the requirements of Section 88(a), Section 88.1, and Section 88.2,

(3) writing questions for the Uniform Certified Public Accountant Examination.

The maximum credit allowed under this subsection (subsection e) should not exceed 25 percent of the renewal period requirement.

Note: Authority cited: Section 5027, Business and Professions Code. Reference: Section 5027, Business and Professions Code.

88.2. Program Measurements.

(a) Live Presentation

In order to qualify as acceptable continuing education under Section 88(b) a live presentation program must:

(1) Be measured in 50 minute class hours. A program must be at least one 50 minute class hour in length to be acceptable continuing education. For a program composed of several segments in which individual segments are less than 50 minutes, the sum of the segments, in increments not less than 25 minutes, may be added together to equal a full 50 minute class hour. For a program that is longer than one 50 minute class hour, credit shall be granted for additional 25 minute segments (one-half of a 50 minute class hour). Only class hours or the equivalent (and not participant hours devoted to preparation or study time) will be used to measure the hours of continuing education.

(2) Meet the provider requirements for live presentation under Section 88.1(a).

(b) Self-Study prior to January 1, 2004.

In order to qualify as acceptable continuing education under Section 88(c) a self-study course must:

(1) Grant continuing education credit equal to the average completion time if the self-study course is interactive.

An interactive self-study program is designed to use interactive learning methodologies that simulate a classroom learning process by employing software, other courseware, or technology-based systems that provide

(Please see New Regulations, continued on page 21)

significant ongoing interactive feedback to the participant regarding his or her learning progress. These programs clearly define lesson objectives and manage the participant through the learning process by (1) requiring frequent participant response to questions that test for understanding of the material presented, (2) provide evaluated feedback to incorrectly answered questions, and (3) reinforcement feedback to correctly answered questions. Technology-based self-study courses do not constitute interactive self-study courses unless they meet the criteria set forth above.

(2) Grant continuing education credit equal to one half of the average completion time if the self-study course is non-interactive. Any self-study course that does not meet the above criteria interactive self-study program is deemed non-interactive.

(3) Require a passing score on a test given at the conclusion of the course.

(4) Meet the provider requirements for self-study under Section 88.1(b).

(c) Self-Study on or after January 1, 2004.

In order to qualify as acceptable continuing education under Section 88(c), any self-study course completed on or after January 1, 2004, whether in electronic or paper text format must:

(1) Grant continuing education credit equal to the average completion time if the self-study course is designed to use learning methodologies that simulate a classroom learning process by employing significant ongoing interactive feedback to the participant regarding his or her learning progress. These courses clearly define lesson objectives and manage the participant through the learning process by (1) requiring frequent participant response to questions that test for understanding of the material presented, (2) provide evaluated feedback to incorrectly answered questions, and (3) reinforcement feedback to correctly answered questions. Evaluated feedback means a response specific to each incorrect answer to the study questions that explains why the particular answer is wrong, as each one is likely to be wrong for a different reason. Reinforcement feedback means a response to the correct answer of the study questions that restates and explains why the answer selected was correct.

(2) Require a passing score on a test given at the conclusion of the course.

(3) Meet the provider requirements for self-study under Section 88.1(b).

Note: Authority cited: Section 5027, Business and Professions Code. Reference: Sections 5026 and 5027, Business and Professions Code. ❖

Future Meetings

October 22, 2003

Qualifications Committee

Hilton Los Angeles North
100 West Glenoaks Boulevard
Glendale, California 91202
(818) 551-4089

November 13, 2003

Committee on Professional Conduct

Holiday Inn Capitol Plaza
300 J Street
Sacramento, California 95814
(916) 446-0100

November 14, 2003

Board Meeting

Holiday Inn Capitol Plaza
300 J Street
Sacramento, California 95814
(916) 446-0100

November 20, 2003

Administrative Committee

Sheraton Universal Hotel
333 Universal Hollywood Drive
Universal City, California 91608
(818) 980-1212

January 7, 2004

Qualifications Committee

Sofitel San Francisco Bay
223 Twin Dolphin Drive
Redwood City, California 94065
(650) 598-9000

January 8, 2004

Administrative Committee

Courtyard by Marriott
5555 Shellmound Street
Emeryville, California 94608
(510) 652-8777

February 27, 2004

**Board Meeting/
Committee on Professional Conduct**
San Francisco

April 28, 2004

Qualifications Committee
Southern California

May 6, 2004

Administrative Committee
Los Angeles

May 14, 2004

**Board Meeting/
Committee on Professional Conduct**
Los Angeles

July 14, 2004

Qualifications Committee
Board Office, Sacramento

July 16, 2004

**Board Meeting/
Committee on Professional Conduct**
San Diego

August 12, 2004

Administrative Committee
Sacramento

September 17, 2004

**Board Meeting/
Committee on Professional Conduct**
Sacramento

Board, committee, and task force meetings are open to the public. Licensees are encouraged to attend. As meeting locations become known, they will be posted on the Board's Web site at www.dca.ca.gov/cba and also are available by calling the Board's office at (916) 263-3680.

Public notices and agendas are posted to the Web site at least 10 days prior to the meeting.

Disciplinary Actions and Standard Probationary Terms

When the Board receives a complaint, an investigation is conducted. Information regarding a complaint generally is gathered by staff Investigative CPAs, often accompanied by a licensee's appearance before the Board's Administrative Committee. In some cases, information is gathered by the Department of Consumer Affairs Division of Investigation.

Following this investigation, or for other reasons, a recommendation is made either to close the case for lack of evidence, or to refer the matter to the Attorney General for review and possible preparation of an accusation against the licensee or a statement of issues relating to the applicant.

The Board may revoke, suspend, or impose probation on a license for violation of applicable statutes or regulations. In addition to any case-specific terms of probation, the standard probationary terms include:

- Obey all federal, California, other state, and local laws, including those rules relating to the practice of public accountancy in California.
- Submit within 10 days of completion of the quarter, written reports to the Board on a form obtained from the Board. The Respondent shall submit, under penalty of perjury, such other written reports, declarations, and verification of actions as are required. These declarations shall contain statements relative to respondent's compliance with all the terms and conditions of probation. Respondent shall immediately execute all release of information forms as may be required by the Board or its representatives.
- During the period of probation, appear in person at interviews or meetings as directed by the Board or its designated representative, provided such notification is accomplished in a timely manner.
- Comply with the terms and conditions of the probation imposed by the Board, and cooperate fully with representatives of the Board in its monitoring and investigation of the respondent's compliance with probation terms and conditions.
- Be subject to, and permit a "practice investigation" of the Respondent's professional practice. Such a "practice investigation" shall be conducted by representatives of the Board, provided notification of such review is accomplished in a timely manner.
- Comply with all final orders resulting from citations issued by the California Board of Accountancy.
- In the event Respondent should leave California to reside or practice outside this state, Respondent must notify the Board in writing of the dates of departure and return. Periods of non-California residency or practice outside the state shall not apply to reduction of the probationary period, or of any suspension. No obligation imposed herein, including requirements to file written reports, reimburse the Board costs, or make restitution to consumers, shall be suspended or otherwise affected by such periods of out-of-state residency or practice, except at the written direction of the Board.
- If Respondent violates probation in any respect, the Board, after giving respondent notice and an opportunity to be heard, may revoke probation and carry out the disciplinary order that was stayed. If an accusation or a petition to revoke probation is filed against Respondent during probation, the Board shall have continuing jurisdiction until the matter is final, and the period of probation shall be extended until the matter is final.
- Upon successful completion of probation, respondent's license will be fully restored.

If charges are filed against a licensee, a hearing may be held before an independent administrative law judge who submits a proposed decision to be considered by the Board of Accountancy, or the matter may be settled. The Board may either accept the proposed decision or decide the matter itself. Please note that Board actions reported here may not be final. After the effective date of the Board's decision, the licensee may obtain judicial review of its decision. On occasion, a court will order a stay of the Board's decision or return the decision to the Board for reconsideration.

Copies of the accusations, decisions, and settlements regarding any of these disciplinary actions are available by sending a written request to: California Board of Accountancy, Attention: Disciplinary Actions, 2000 Evergreen Street, Suite 250, Sacramento, CA 95815-3832. Please state the licensee's name and license number, and allow approximately three weeks for each request.

Disciplinary Board Actions 5/22/03 through 8/29/03

Revocation of CPA Certificate

Name/Board Actions	Cause for Discipline	Code Violation(s) Charged
ALLAN, STEVEN JAMES Los Gatos, CA (CPA 21502) Revocation of CPA Certificate, via stipulated settlement. Effective August 29, 2003	<p>Mr. Allan admits that he is subject to disciplinary action. On or about August 15, 2002, Mr. Allan was convicted in a jury trial, in the US District Court, Northern District of California, of five felony counts, each substantially related to the practice of public accountancy.</p> <p>The violations for which he was convicted were three violations of wire fraud and two violations of false statements to accountants.</p>	Business and Professions Code, Division 3, Chapter 1, § 5100 (a).
BARTON, SCOTT KENDALL Houston, TX (CPA 31817) Revocation of CPA Certificate, via stipulated settlement. Effective June 21, 2003	<p>Mr. Barton admits he was denied the privilege of appearing or practicing before the United States Securities and Exchange Commission as an accountant for his conduct as the controller of Paracelsus Corporation. According to the Commission's allegations, while Mr. Barton was Paracelsus' controller, he participated in misconduct by which Paracelsus inflated its quarterly and annual earnings in filings with the Commission.</p>	Business and Professions Code, Division 3, Chapter 1, § 5100 (h), [formerly 5100 (g)].
CLARK, CRAIG REID Santa Barbara, CA (CPA 21823) Revocation of CPA Certificate, via default decision. Effective May 22, 2003	<p>On or about May 7, 2001, in an administrative proceeding before the United States Securities and Exchange Commission (SEC) entitled <i>In the Matter of Craig R. Clark, CPA</i>, Mr. Clark was denied the privilege of appearing or practicing before the SEC as an accountant.</p> <p>Mr. Clark, in his capacity as CFO and a member of the Board of Directors of Unison HealthCare Corporation approved journal entries to increase income during the third quarter of 1996 when in fact the company incurred a loss of approximately \$5 million. As a result, the Company's Form 10Q as reported to the SEC was false and misleading.</p>	Business and Professions Code, Division 3, Chapter 1, § 5100 (g), (h), (i), and (j).

(Please see Disciplinary Actions, continued on page 25)

Disciplinary Board Actions 5/22/03 through 8/29/03

Revocation of CPA Certificate

Name/Board Actions	Cause for Discipline	Code Violation(s) Charged
DIAZ, JOE REFUGIO San Bernardino, CA (CPA 59831) Revocation of CPA Certificate, via default decision. Effective August 29, 2003	<p>Mr. Diaz is subject to disciplinary action for convictions of crimes substantially related to the qualifications, functions, and duties of a certified public accountant.</p> <p>On or about November 8, 2002, Mr. Diaz was convicted on a plea of guilty to one felony count of identity theft.</p> <p>Mr. Diaz is further subject to disciplinary action in that he failed to report to the Board in writing the occurrence of his criminal conviction within 30 days of his knowledge of the conviction.</p>	Business and Professions Code, Division 1.5, Chapter 3, § 490, Division 3, Chapter 1, §§ 5100 (a) and (g), 5063, and 5106.
JUDD, JOHN K., JR. Boron, CA (CPA 30137) Revocation of CPA Certificate, via stipulated settlement. Effective June 21, 2003	<p>Mr. Judd admits that he is subject to disciplinary action in that on or about October 5, 2000, he was convicted following a jury trial in US District Court, Central District of California, of crimes which are substantially related to the practice of accountancy.</p> <p>The felony counts for which Mr. Judd was convicted were one count of conspiracy to commit money laundering, eight counts of aiding and abetting securities fraud, nine counts of aiding and abetting mail fraud, and 22 counts of aiding and abetting money laundering.</p>	Business and Professions Code, Division 3, Chapter 1, § 5100 (a).

(Please see Disciplinary Actions, continued on page 26)

Other Board Actions 5/22/03 through 8/29/03

Name/Board Actions	Cause for Discipline	Code Violation(s) Charged
BACSIK, JEFFREY MICHAEL Wycoff, NJ (CPA 66819) Revocation stayed, with three years' probation, via stipulated settlement. Suspension from practice of public accountancy for three months. Mr. Bacsik shall complete, as designated by the Board or its designee, an eight-hour continuing professional education course in accounting and auditing that includes revenue-recognition topics. Mr. Bacsik is required to reimburse the Board \$3,091.76 for its investigative and prosecution costs. Other standard terms and conditions.	Mr. Bacsik admits that on or about December 27, 2001, in an administrative proceeding before the US Securities and Exchange Commission (SEC) he was denied the privilege of appearing or practicing before the SEC as an accountant. The underlying SEC action included allegations that from 1993 through 1996, Mr. Bacsik, while working as a partner in the accounting firm Deloitte & Touche, served as the engagement partner for the audits of a Connecticut-based company. In 1998, based on an internal investigation, the company issued a restatement of its financial statements. Within this restatement, 18 categories of material accounting errors were identified, with improper capitalized contract rights of \$21,700 being the largest. On January 7, 1999, the company entered a Chapter 11 bankruptcy proceeding. Based in part on the company's restatement and Chapter 11 filing, the SEC commenced an investigation of Mr. Bacsik.	Business and Professions Code, Division 3, Chapter 1, §§ 5063, and 5100 (g) and (h).
Effective August 29, 2003	Mr. Bacsik admits that he failed to timely report the denial of the privilege of appearing or practicing as an accountant before the SEC to the Board as required.	

(Please see Disciplinary Actions, continued on page 27)

Other Board Actions 5/22/03 through 8/29/03

Name/Board Actions	Cause for Discipline	Code Violation(s) Charged
<p>BAILEY, DAVID Walnut Creek, CA (Applicant for Licensure)</p> <p>Via stipulated settlement, Mr. Bailey is denied licensure as a California Certified Public Accountant. Mr. Bailey may file an application for licensure on or after March 15, 2003, as long as he has successfully completed his criminal probation including, but not limited to, his payment of all fines and restitution therein named.</p> <p>Upon satisfactory evidence of Mr. Bailey's completion of criminal probation and the filing of an application for licensure that meets all applicable licensing requirements, Mr. Bailey's California CPA license will be issued in a revoked status; however, the revocation will be stayed, and Mr. Bailey's Certified Public Accountant's license will be placed on probation for a period of three years with standard terms and conditions.</p> <p>Effective May 22, 2003</p>	<p>For purposes of settlement, and for no other purpose or proceeding, Mr. Bailey admits he was convicted of making a false or fraudulent insurance claim by his plea of guilty on or about May 21, 1998, before the Superior Court of California, County of San Diego. Mr. Bailey made two separate insurance claims, to two separate insurance carriers, for the same loss. Mr. Bailey knowingly made false or misleading written or oral statements in support of these claims. Mr. Bailey was sentenced to five years formal probation, work furlough in lieu of 180-days incarceration, \$800 in fines, and restitution to the victims totaling \$7,342.54.</p>	<p>Business and Professions Code, Division 1.5, Chapter 2, § 480 (a)(1), (a) (2), and (a)(3), Division 3, Chapter 1, §§ 5080 and 5110 (a)(4).</p>

(Please see Disciplinary Actions, continued on page 28)

Other Board Actions 5/22/03 through 8/29/03

Name/Board Actions	Cause for Discipline	Code Violation(s) Charged
CERESA, RICHARD A. Woodbridge, CA (CPA 15715) Revocation stayed, with three years' probation, via stipulated settlement. Suspension of practice for six months after the CPA certificate is renewed in active status. Mr. Ceresa shall complete 80 hours of continuing professional education courses (CPE). The CPE shall be in addition to the CPE requirement for relicensing. Mr. Ceresa shall take and pass with a score of 90 percent or better a Board-approved ethics examination within the first six months of probation. Mr. Ceresa is required to reimburse the Board \$2,968.70 for its investigation and prosecution costs. Other standard terms and conditions. Effective June 21, 2003	Mr. Ceresa admits he was employed to prepare fiscal year-end June 30, 1996-2001, corporate income tax returns for a landscaping company; however, Mr. Ceresa did not prepare them. Mr. Ceresa did not comply with the company's request to provide copies of records pertaining to its taxes for fiscal years June 30, 1996-2001. Mr. Ceresa practiced public accountancy with an expired license from May 1, 2001, through April 18, 2002.	Business and Professions Code, Division 3, Chapter 1, §§ 5037, 5050, 5100 (c) and (h).

(Please see Disciplinary Actions, continued on page 29)

Other Board Actions 5/22/03 through 8/29/03

Name/Board Actions	Cause for Discipline	Code Violation(s) Charged
HOWARD, IRVIN DONNELL Los Angeles, CA (CPA 16771)	Mr. Howard admits to the allegations contained in Accusation number AC-2003-12.	Business and Professions Code, Division 3, Chapter 1, §§ 5062, 5100 (c) and (f). California Code of Regulations, Title 16, Division 1, § 58.
Revocation stayed, with three years' probation, via stipulated settlement.	Mr. Howard admits that his audits of CDW Financial Corporation, an unsupervised HUD lender, for the years ended December 31, 1999, 2000, and 2001, materially departed from auditing standards for reporting and work paper documentation, and that those material departures constituted gross negligence in the practice of public accountancy.	
Mr. Howard shall obtain prerelease review of all audit and review reports, along with their supporting working papers, by an outside CPA, at Mr. Howard's expense and subject to the Board's approval.		
Prior to conducting either audits or reviews, Mr. Howard shall complete three 8-hour continuing education courses in the following areas: (a) Financial Statement Disclosures. (b) Government Audit Standards Update and, (c) Cash Flow and Financial Statement Analysis.		
Mr. Howard is required to reimburse the Board \$8,985.22 for its investigation and prosecution costs.		
Other standard terms and conditions.		
Effective June 21, 2003		

(Please see Disciplinary Actions, continued on page 30)

Other Board Actions 5/22/03 through 8/29/03

Name/Board Actions	Cause for Discipline	Code Violation(s) Charged
ROBERTS, ERNEST C. Sacramento, CA (CPA 6733) Surrendered certificate, via stipulated settlement. Effective August 29, 2003	For purposes of settlement, Mr. Roberts admits that at a hearing, it could be established that he issued reports with accompanying financial statements in which he dishonestly states that he conducted an audit for a nonprofit organization for the year ended December 31, 2000, in accordance with generally accepted auditing standards and government auditing standards, as issued by the Comptroller of the United States. Mr. Roberts further admits that at a hearing, it could be established he issued the above reports knowing that he had not in fact performed said audit.	Business and Professions Code, Division 3, Chapter 1, § 5100 (c) and (i).

Disciplinary Definitions

Accusation

A formal document that notifies a licensee of the agency's charges against the licensee.

Cost Recovery

The licensee is ordered to pay the Board certain costs of investigation and prosecution including, but not limited to, attorney fees.

Default Decision

The licensee failed to file a Notice of Defense or has otherwise failed to request a hearing, object, or otherwise contest the accusation. The Board takes action without a hearing based on the accusation and documentary evidence on file.

Effective Date

The date the disciplinary decision becomes operative.

Probation

The licensee may continue to engage in activities for which licensure is required, under specific terms and conditions.

Reinstatement

A revoked license that is restored, not sooner than one year from the date of revocation, to a clear or inactive status after petition to and approval by the Board. Reinstatement may include probation and/or terms and conditions.

Revocation

The individual, partnership, or corporation is no longer licensed as a result of a disciplinary action.

Stayed

The action does not immediately take place and may not take place if the licensee complies with other conditions (such as a probation term).

Stipulation

The matter is negotiated and settled without going to hearing.

Suspension

The licensee is prohibited for a specific period of time from engaging in activities for which licensure is required.

Surrendered

The licensee has surrendered the license. The individual, partnership, or corporation is no longer licensed. The Board, however, may impose discipline against a surrendered license in certain circumstances. Surrender also may require certain conditions be met should the former licensee ever choose to reapply for licensure.

ADDRESS CHANGE FORM

A separate change of address form must be submitted for each license type.

Please Print

Name of Licensee

Individual (CPA/PA) - License No. _____

_____	_____	_____
Last	First	Middle

Name of Firm

☐ Corporation ☐ Partnership ☐ Fictitious Name License No. _____

Firm Name

NEW Address of Record (An Address of Record is Required)

Be advised that your address of record is public information, and all Board correspondence will be sent to this address.

☐ Home ☐ Business (check one)

Business Name (if different from name above)

_____	_____
-------	-------

Street

☐ Apt. # ☐ Suite # (check one)

_____	_____	_____
-------	-------	-------

City

State

Zip

Alternate Address for Mail Drops and PO Boxes

You are required to provide a street address even if your address of record is a mail drop or a Post Office Box. This address will not be posted on the Web License Lookup.

☐ Home ☐ Business (check one)

_____	_____
-------	-------

Street

☐ Apt. # ☐ Suite # (check one)

_____	_____	_____
-------	-------	-------

City

State

Zip

Daytime Phone Number

_____	-	_____
Area Code		

Date of Birth

Mo. Day Year

I certify the truth and accuracy of all of these statements and representations.

Signature of Licensee,
Licensed Partner, or
Licensed Shareholder _____

Date _____

Print your name _____

A licensee who fails to notify the California Board of Accountancy within 30 days of a change in his/her address of record may be subject to citation and fine (fines ranging from \$100-\$1000) under the California Code of Regulations, Title 16, Division 1, Sections 3 and 95.2.

The Board maintains a list of all licensees. This list is sold to requestors for mailing list purposes. Check here ☐ only if you do not want your name included on this list. Please Note: Your name and address of record is public information and can be accessed through our Web site at www.dca.ca.gov/cba.

Mail to: California Board of Accountancy, 2000 Evergreen Street, Suite 250, Sacramento, CA 95815-3832
or **FAX to:** (916) 263-3675

Board of Accountancy Directory

Board Office	(916) 263-3680
Board Office Facsimile	(916) 263-3675
License Status Check	(916) 263-3680
.....	www.dca.ca.gov/cba
General Examination Questions	examinfo@cba.ca.gov
.....	(916) 263-3953 or (916) 263-3958
.....	Facsimile (916) 263-3677 or (916) 614-3253
Enforcement Information and Questions	enforcementinfo@cba.ca.gov
.....	(916) 263-3971
.....	Facsimile (916) 263-3673
Certifications	(916) 263-3947
Initial Licensing — Individual:	licensinginfo@cba.ca.gov
.....	fingerprinting@cba.ca.gov
.....	(916) 263-3947
.....	Facsimile (916) 263-3676
Initial Licensing — Partnerships, Corporations, Fictitious Names:	licensinginfo@cba.ca.gov
.....	(916) 263-3937 or (916) 263-3695
.....	Facsimile (916) 263-3676
Renewal for CPA/PA, Partnerships, Corporations, Continuing Education:	renewalinfo@cba.ca.gov
.....	(916) 263-3934
.....	Facsimile (916) 263-3672
Web Site Address	www.dca.ca.gov/cba
Web Page Master	pagemaster@cba.ca.gov
General Inquiries	editor@cba.ca.gov

Department of Consumer Affairs
California Board of Accountancy
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 2000 Evergreen Street, Suite 250
 Sacramento, California 95815-3832
 (916) 263-3680
www.dca.ca.gov/cba

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